

LETTER FROM THE COMMISSIONER

October 1, 2007

The Honorable Mitchell E. Daniels, Jr.
Governor, State of Indiana
State House, Room 206
Indianapolis, Indiana 46204-2797

Dear Governor Daniels:

The following document represents the Indiana Department of Revenue's annual report, covering Fiscal Year 2007 (July 1, 2006 – June 30, 2007), as required by Indiana law.

Fiscal Year 2007 was a continuation of the work we began in 2005, and proved to be a fruitful year in a number of areas we have targeted for improvement. Particularly, we have focused on enforcement and collection efforts, as well as our internal processes. To that end, we have reorganized the Department to reflect seven centers of excellence, reallocated and realigned our workforce to provide more timely, more knowledgeable answers to taxpayers, and have discovered and leveraged more efficient and effective means of collecting on outstanding tax debt owed to the state.

The Department reorganization and improvements in internal and external processes has resulted in the following accomplishments:

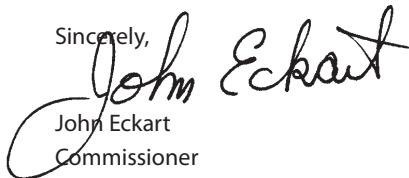
- Collected more than \$100 million in outstanding and unfiled trust taxes (sales and withholding) through a regular billing process, in which the Department issues tax bills monthly – as opposed to quarterly or semi-annually.
- Collected approximately \$22 million in post-amnesty tax debts via the use of contract professional collection agencies.
- Launched mandatory bi-annual renewal of the registered retail merchant certificate.
- Leveraged sanctions, such as garnishments and levies, to encourage payment of outstanding tax debts; this effort has resulted in more than \$12 million in collections from these mechanisms alone.
- Gathered qualitative feedback from more than 2,000 taxpayers, which has garnered valuable improvement suggestions for the Department's online filing and payment services.
- Implemented customer-service performance scoring of representatives' handling of taxpayer calls and walk-in customers.
- Expanded online business-tax filing and payment services to accommodate more tax types, such as fuel tax.
- Increased I-File usage by 16 percent over the 2006 filing season.
- Increased overall electronic filing (I-File and e-File combined) by 35 percent over the past two years.
- Increased training to develop more knowledgeable and effective staff.

But there is more to do. In FY 2008, the Department will focus on the following for further improvements and efficiencies:

- Leverage newly created case-management system, which consolidates taxpayer billings, payments, information and actions into one centralized account profile.
- Use statistical evaluation to select audits.
- Send notifications regularly and directly to responsible officers of businesses that are delinquent in paying their taxes.
- Issue customer-satisfaction surveys to taxpayers who have interacted with the Department to determine representatives' knowledge and timeliness in assisting them.

Throughout FY 2008, the Department will remain committed to reshaping the agency in ways that make it more nimble, efficient, effective and more customer focused in resolving issues timely and completely. We believe our efforts continue to demonstrate the type of results that will assist in restoring and preserving Indiana's fiscal health.

Sincerely,



John Eckart
Commissioner

Right People in the Right Jobs

Customer Focus

Efficiency

Right People in the Right Jobs